

# Procurement CONUS Consolidation Strategy

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# Purpose

- **Provide overview of the strategy for Procurement Activity Consolidation**

# **Standard Procurement System and Paperless Acquisition Mandates**

- **OUSD DDP Memorandum dated 12 July 1996 established SPS as the DoD standard procurement software**
- **ASN RD&A Memorandum dated 20 Feb 1997 established SPS as the software package that will carry the Navy procurement community into the next century. It was also defined as the prerequisite for maintaining contracting authority**
- **Management Reform Memorandum #2 Moving to Paper-free Contracting Process by 1 January 2000**

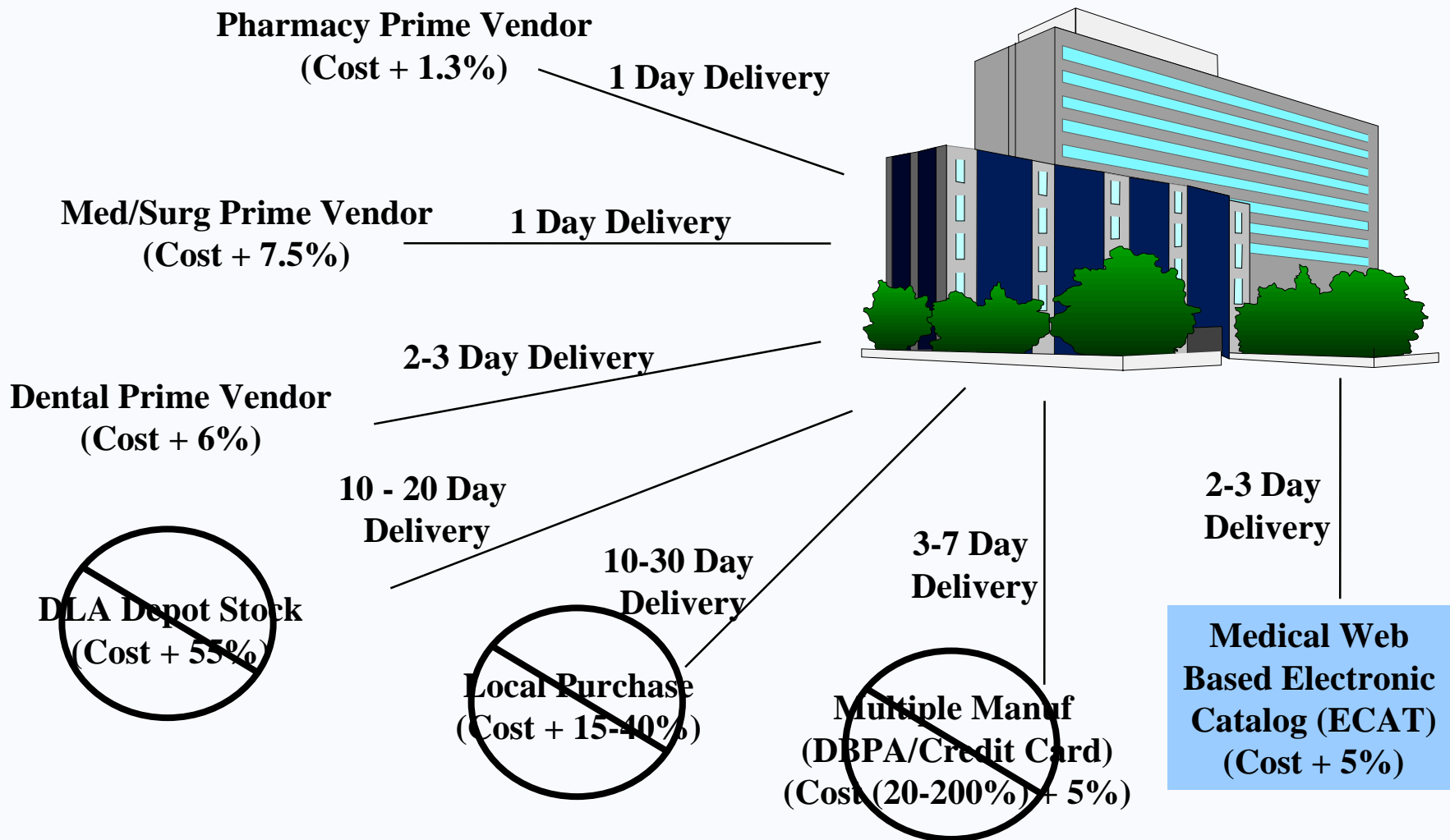
## **Other Key Initiatives**

- **OUSD memorandum 2 Oct 98 - Streamlined Payment Practices for Awards/Orders at or below the Micro-Purchase Threshold**
- **ASDHA memo 17 Nov 98 - Committed Use Requirements Contracts Mandatory Use**
- **OSG Army Joint Service and TMA Letter and 13 Oct 98 Implementation Guidance for Regional Tri-Service Medical Logistics Support Program**

# Background

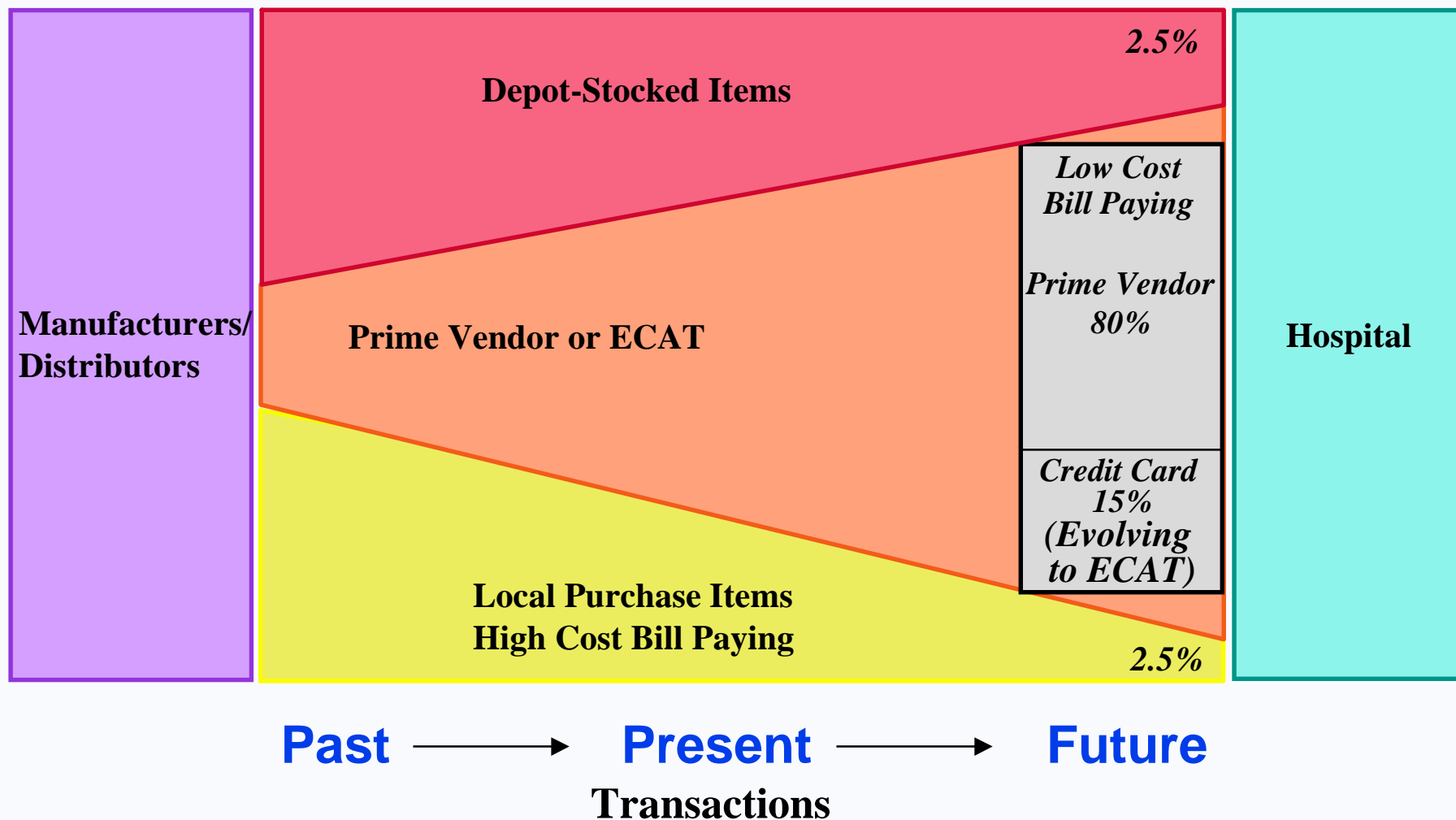
- **DoD Paperless Initiatives caused BUMED 04 to review procurement processes**
  - Analyzed the workload of BUMED activities
  - Visited the activities in order to understand their technical and functional capabilities and needs
  - Examined the technical and functional requirements of the Standard Procurement System (SPS) and the Paperless 2000 initiatives.
    - Scope of Paperless 2000 has expanded to include Navy Electronic Commerce On-Line (NECO), Electronic Document Access (EDA), and Electronic Procurement Generator (EPG)
    - Site technical and infrastructure requirements increased
- **BUMED 04 realized that the current organization needs to be restructured to meet the DoD Paperless contracting goals and position itself for MHS reengineering success**

# Future Suppliers of a Typical Navy MTF/DTF

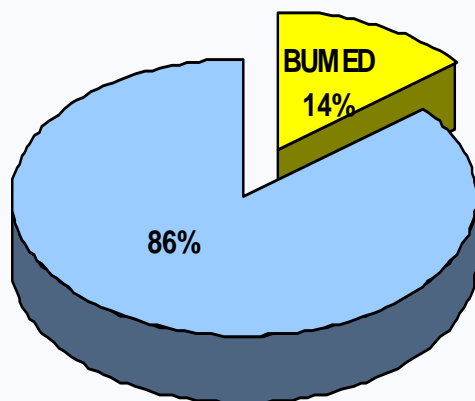


# *DoD Reengineering Materiel Procurement In Medical Logistics*

## **BUMED is leading the way**

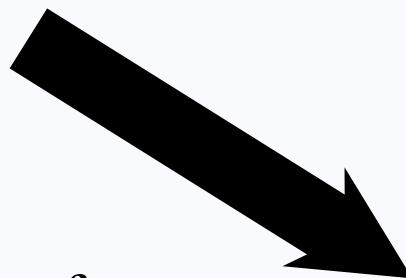


# NAVSUP's Authorized Procurement Activities



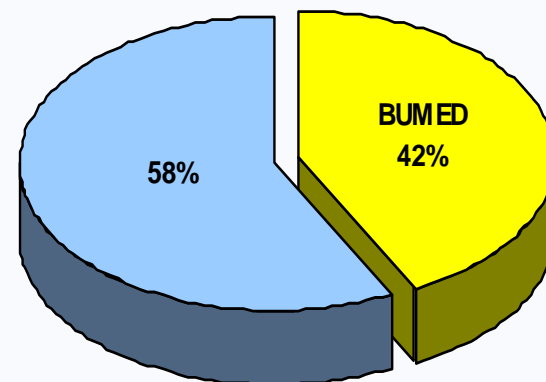
In FY98, BUMED accounted for 14% of NAVSUP's Procurement Activities

- NAVSUP 203 Activities
- BUMED 28 Activities



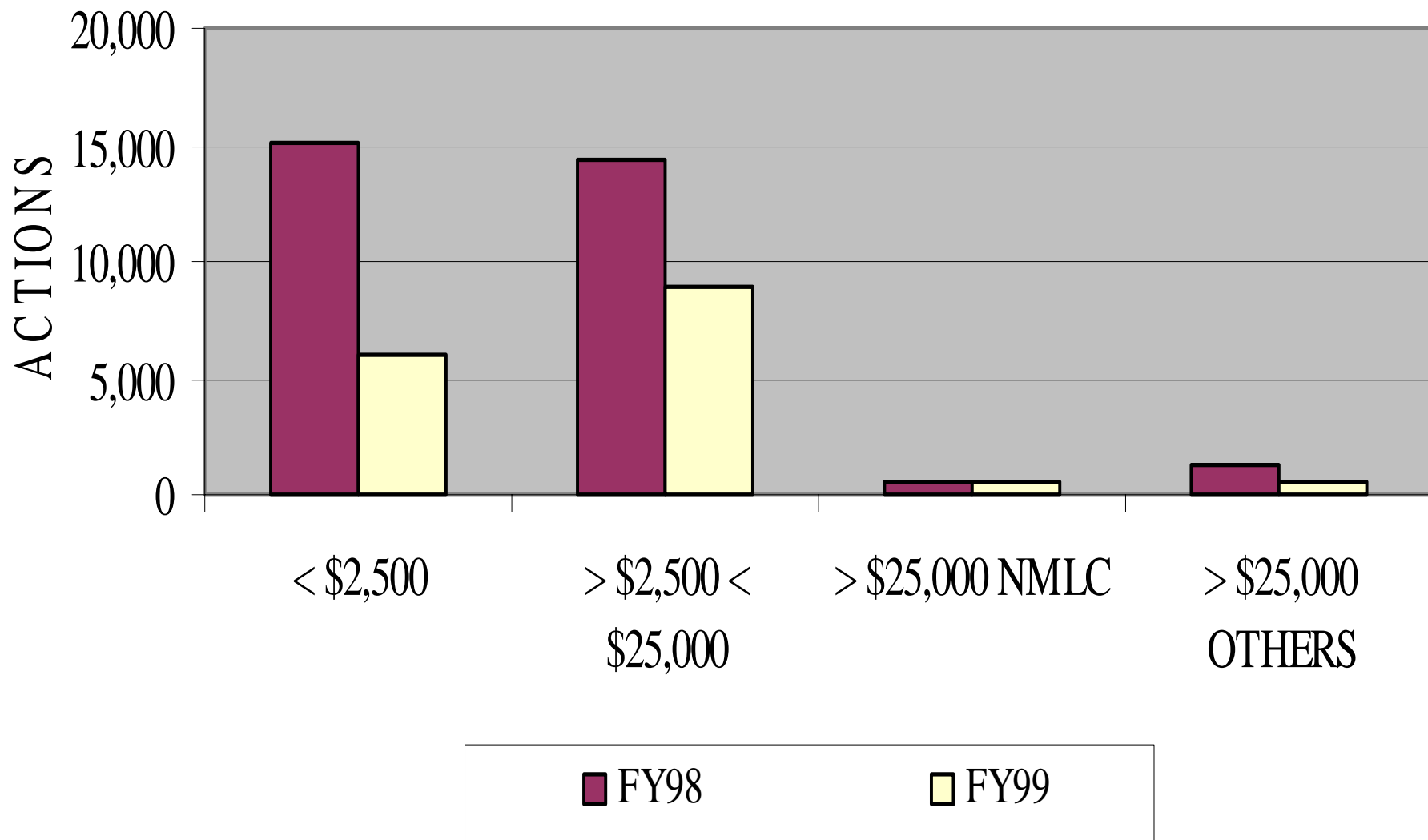
In FY99, BUMED accounts for 42% of NAVSUP's Procurement Activities

- NAVSUP 66 Activities
- BUMED 28 Activities

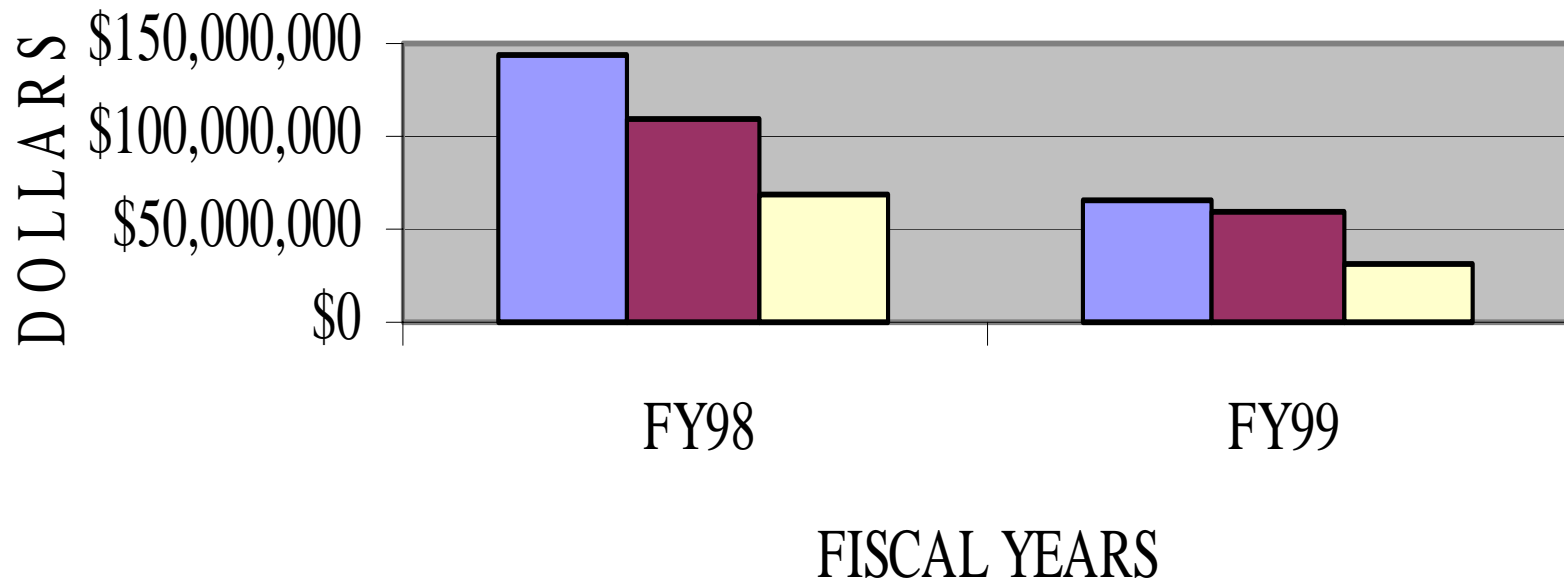




## BUMED CONTRACT ACTIONS



## CONTRACT DOLLARS

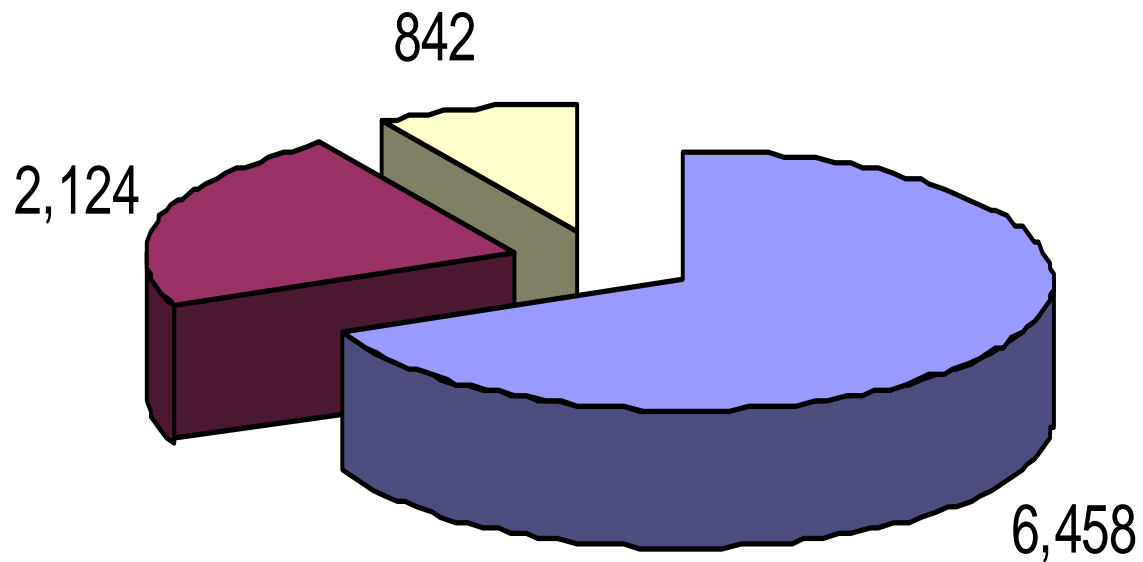


■ \$0 < \$25,000 ■ > \$25,000 NMLC ■ > \$25,000 OTHERS

# FY99 Total Contracting Actions

> \$2,500

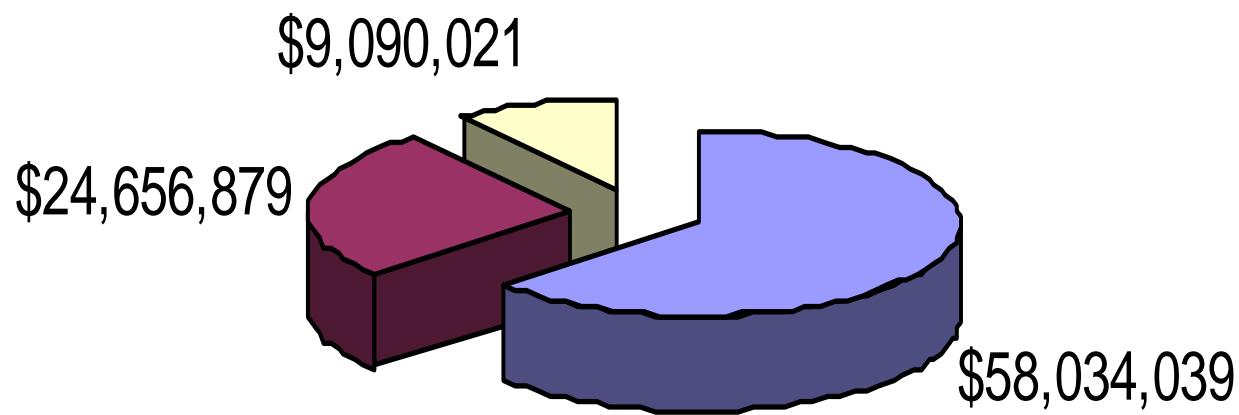
n = 9,424



■ CONUS HUBS ■ CONUS OTHER ■ OCONUS

# FY99 Total Contracting Dollars > \$2,500

n = \$91,780,939



■ CONUS HUBS ■ CONUS OTHER ■ OCONUS

# FY99 Procurement Data

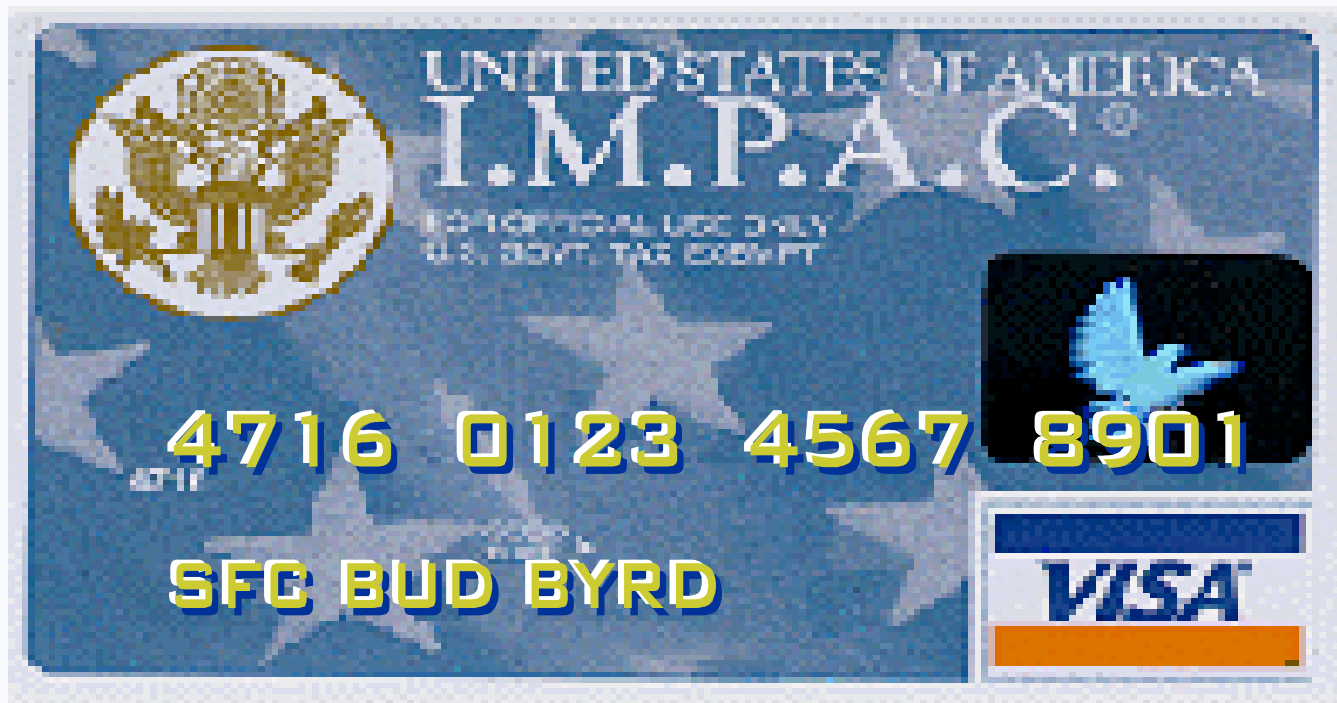
FY99 DD1057 and DD350 Data	FY99 DD 350's				FY99 DD1057 Data			
	\$25,000-\$100,000		FY99 < \$2,500		FY99 >\$2,500 <25,000		Total \$0-\$25,000	
Activity	Actions	Dollars	Actions	Dollars	Actions	Dollars	Actions	Dollars
NH Okinawa	23	\$2,281,796	543	\$299,242	345	\$2,193,990	888	\$2,493,232
NH Yokusoka	1	\$95,191	272	\$285,475	68	\$755,576	340	\$1,041,051
NH Sigonella	6	\$339,358	239	\$178,777	84	\$339,710	323	\$518,487
NH Guam	10	\$577,428	74	\$546,854	201	\$1,794,286	275	\$2,341,140
NH Rota	6	\$296,485	230	\$42,102	19	\$55,668	97	\$97,770
NH Naples	0	\$0	0	\$0	84	\$365,328	84	\$365,328
NH Camp Lejeune	14	\$1,065,485	253	\$93,057	177	\$1,894,126	430	\$1,987,183
NH Pendelton	25	\$2,211,956	249	\$46,146	180	\$2,209,355	429	\$2,255,501
NH Beaufort	19	\$883,931	18	\$12,485	377	\$688,602	395	\$701,087
NH Great Lakes	37	\$1,757,713	95	\$67,798	288	\$4,554,395	383	\$4,622,193
NH 29 Palms	9	\$518,977	38	\$11,626	219	\$1,359,859	257	\$1,371,485
NH Lemoore	5	\$253,840	12	\$9,117	212	\$1,209,056	224	\$1,218,173
NH Roosevelt Roads	8	\$815,731	23	\$29,217	152	\$1,589,176	175	\$1,618,393
NH Corpus Christi	1	\$74,278	100	\$45,910	69	\$480,386	169	\$526,296
NH Gitmo	8	\$478,323	29	\$22,411	125	\$957,777	154	\$980,188
NH Cherry Point	2	\$188,792	40	\$25,385	98	\$619,206	138	\$644,591
NH Oak Harbor	4	\$181,781	10	\$3,011	95	\$664,134	105	\$667,145
NMC San Diego	114	\$7,635,264	697	\$602,875	2,121	\$12,908,627	2,818	\$13,511,502
NH Jacksonville	20	\$921,964	1,367	\$676,122	468	\$3,625,905	1,835	\$4,302,027
NMC Portsmouth	91	\$4,913,063	543	\$937,426	1,159	\$7,217,520	1,702	\$8,154,946
NMC Bethesda	64	\$2,812,824	192	\$136,726	1,013	\$7,620,085	1,205	\$7,756,811
NH Bremerton	21	\$1,179,300	50	\$15,620	912	\$3,676,911	962	\$3,692,531
NH Pensacola	34	\$2,465,287	452	\$242,008	306	\$2,336,447	758	\$2,578,455
NH Charleston	7	\$302,238	614	\$688,733	128	\$418,604	742	\$1,107,337
Total	529	\$32,251,005	6,140	\$5,018,123	8,748	\$59,534,729	14,888	\$64,552,852
% of Total Transactions/\$'s DD1057			41.24%	7.77%	58.76%	92.23%		

# FY99 Procurement Data

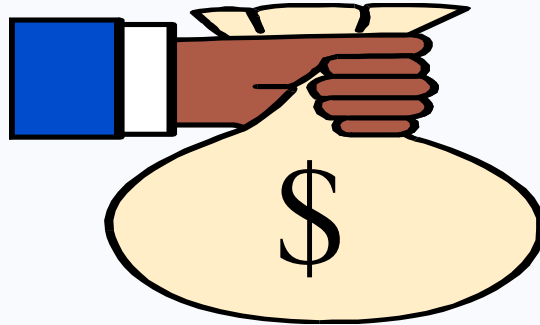
FY99 DD1057 and DD350 Data				
	Priced & Unpriced POs		Purchase Card	
Activity	Actions	Dollars	Actions	Dollars
NH Okinawa	378	\$1,085,826	2,778	\$2,772,746
NH Yokusoka	305	\$822,900	1,940	\$2,539,764
NH Sigonella	0	\$0	6,141	\$1,064,129
NH Guam	141	\$1,713,227	2,766	\$1,635,527
NH Rota	0	\$0	1,487	\$355,809
NH Naples	0	\$0	2,057	\$1,502,183
NH Camp Lejeune	179	\$917,555	4,597	\$2,323,748
NH Pendelton	182	\$1,295,607	6,966	\$2,557,037
NH Beaufort	47	\$220,563	1,320	\$688,794
NH Great Lakes	291	\$3,367,325	2,720	\$1,606,955
NH 29 Palms	145	\$865,917	1,287	\$584,636
NH Lemoore	96	\$615,356	2,447	\$982,284
NH Roosevelt Roads	94	\$794,552	1,321	\$660,125
NH Corpus Christi	88	254,675	1,073	\$609,709
NH Gitmo	106	\$608,543	763	\$563,604
NH Cherry Point	58	\$151,912	1,645	\$904,434
NH Oak Harbor	25	\$154,647	1,478	\$661,051
NMC San Diego	807	\$5,282,312	11,980	\$8,622,297
NH Jacksonville	248	\$1,455,398	6,718	\$3,636,329
NMC Portsmouth	846	\$4,267,268	10,868	\$6,882,994
NMC Bethesda	895	\$6,067,621	4,240	\$2,806,931
NH Bremerton	169	\$1,217,383	6,966	\$2,557,037
NH Pensacola	468	\$1,302,143	4,301	\$3,033,753
NH Charleston	429	\$468,098	2,482	\$1,127,344
Total	5,997	\$32,928,828	90,341	\$50,679,220
% of Total Transactions/\$'s DD1057	40.28%	51.01%		
Total BUMED Purchase Card			174,812	\$101,644,677
Micropurchase %			96.49%	

# PURCHASE CARD IS BIG BUSINESS

**BUMED FY99**  
**174,812 Transactions**  
**\$101,644,677**



# Prime Vendor Is Even Bigger Business



**MEDSURG**  
**23,000 Action**  
**\$33,652,963**



**Pharmacy**  
**860,000 Actions**  
**\$263,338,552**





# **Determination of Best Procurement Business Practices For BUMED**

- **Total Cost of Procurement Ownership**
- **Volume of Contracting Transactions**
- **Geographic Proximity or Remoteness**
- **Certified Contracting Personnel**
- **MHS Regionalization Efforts**
- **Data Management and Integrity**

# **Determination of Best Procurement Business Practices For BUMED**

- **BOS Regionalization Efforts**
- **IM/IT Support Services and Sustainment**
- **DMLSS 2.0 Capability**
- **Purchase Card Use**
- **Emerging Business Practice Changes**

# **Determination of Best Procurement Business Practices For BUMED**

- **SPS and Paperfree Complexity**
- **Potential for Infrastructure Reduction**
- **Retooling the Workforce**
- **Cost Savings and Avoidance**
- **Foreign Currency Considerations**

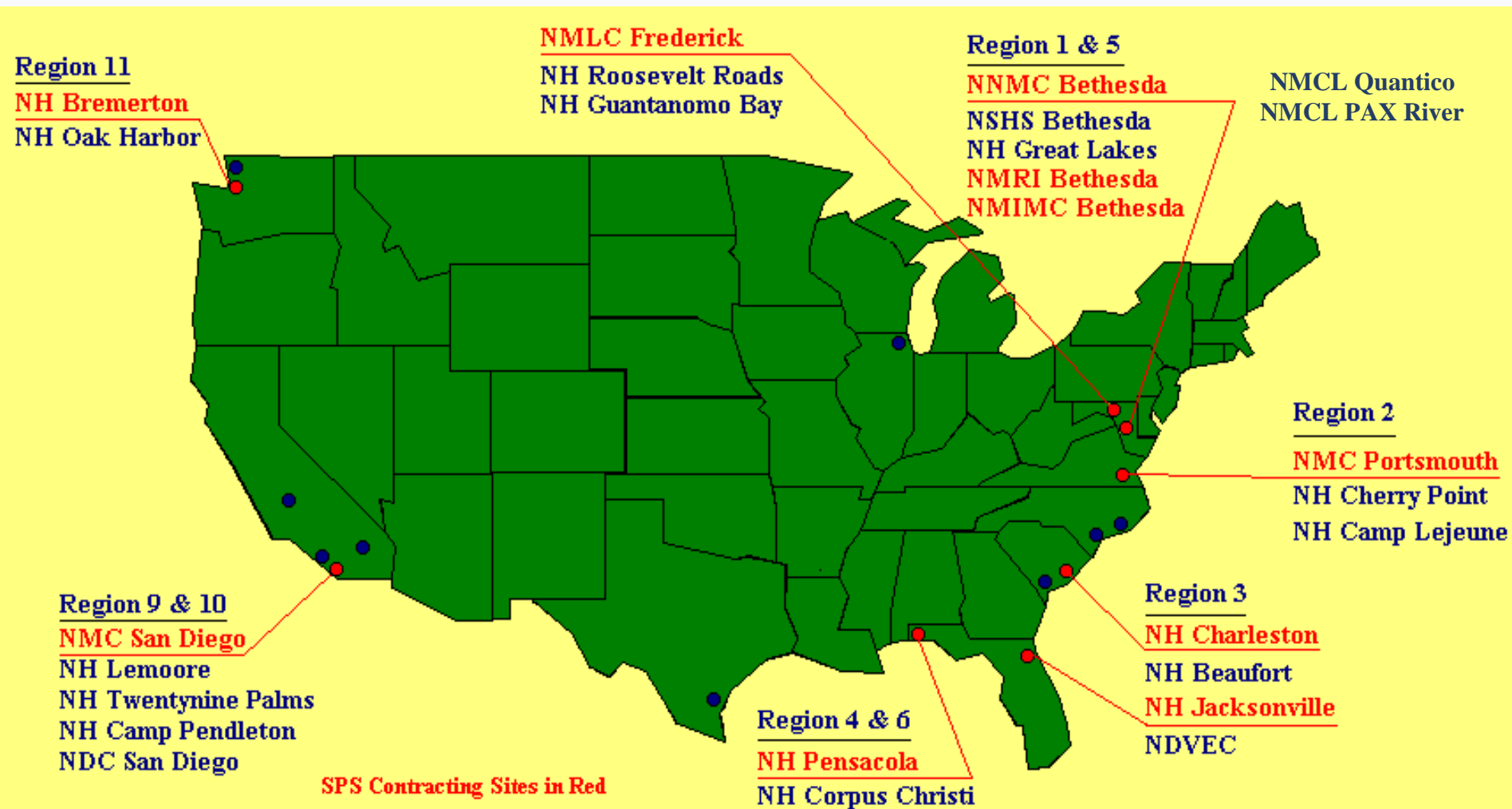
# **Analysis Conclusions**

**BUMED needs to consolidate its procurement infrastructure to achieve economies, efficiency and the goals of higher authority reengineering and best business practice initiatives**

# Consolidation Strategy

- **Phased Approach**
- **Customer Service Focused**
- **First Cut from 28 SPS Sites to 15**
- **Consolidate along Tri-Care Regions or Combination**
- **Reevaluate Workload Every Six Months**
- **Pursue Initiative to Push all Equipment through NMLC**
- **Final Goal Less than 10 Procurement Activities**
- **100% Paperless and Fully Automated**

# BUMED CONUS Regionalization Strategy



# **Organizational Structure OCONUS**

## **“Strategy Still Needs Refinement”**

### **Pacific Region**

**NH Okinawa**

**NH Yokosuka**

**NH Guam**

**NAMRU -2 Jakarta**

### **European Activities**

**NRCC Naples Server**

**NH Naples**

**NH Sigonella**

**NH Rota**

**NMRU-3 Cairo**

# NON SPS SITES

## **WILL HAVE:**

- **PURCHASE CARD FOR MICRO-PURCHASES**
- **LETTERS OF AGREEMENT WITH PURCHASE CARD AS METHOD OF PAYMENT UP TO \$25,000.**
- **DELIVERY ORDER - FSS, GSA AND GOVERNMENT-WIDE ACQUISITION CONTRACTS**
- **PRIME VENDOR AND ECAT TO MOL**

## **WON'T HAVE:**

- **PRICED PURCHASE ORDERS**
- **WILL PASS WORK TO BUMED REGIONAL SITE OR REGIONAL HOST ACTIVITY AS APPROPRIATE.**



# **BUMED SPS REGIONAL SITES**

**WILL HAVE:**

- **PURCHASE CARD FOR MICRO-PURCHASES**
- **LETTERS OF AGREEMENT WITH PURCHASE CARD AS METHOD OF PAYMENT UP TO \$25,000.**
- **DELIVERY ORDER - FSS, GSA AND GOVERNMENT-WIDE ACQUISITION CONTRACTS**
- **PRIME VENDOR AND ECAT TO MOL**
- **PRICED PURCHASE ORDERS \$100,000 UNLIMITED**
- **REGIONAL SUPPORT FOR BUMED ACTIVITIES FOR PERSONAL AND NON PERSONAL SERVICES, MEDICAL EQUIPMENT AND SUPPLIES.**
- **WILL PASS WORK TO NMLC OR REGIONAL HOST ACTIVITY AS APPROPRIATE.**

# **Consolidated Procurement Services Advantages**

- **Meets Higher Authority Goals**
- **Centralizes Majority Control Over Procurement Process**
- **Paperless Contracting Achieved**
- **Potential for Staff Reductions**
- **Simplified Bill Paying**
- **Focused Contracting Support**
- **Central Data Management & Access**
- **Full Automation of Logistics Process**
- **Focused DFAS Interaction**
- **Reduced IT Infrastructure Costs**
- **Reduced IT Sustainment Costs**
- **Increase Standardization**

## **Current Initiative Status**

- **All Effected Sites Notified by email and in writing April 1999**
- **PWC working with site representatives on cut-over strategy**
- **SPS FOC at Eight CONUS Hubs achieved September 1999**
- **Testing SPS PD2 Connectivity of Remote Sites**
- **Begin transferring workload to Hubs January 00**
- **FY00 DMLSS 2.0 to High Volume Sites**
- **FY00 Complete ECAT Deployment**

# Conclusion

- ✱ **BUMED has been recognized by ASN and NAVSUP as a player in the contracting arena. We need to develop a consensus corporate strategy for contracting that includes the goals of:**
  - **Activity Consolidation**
  - **Staff Realignment**
  - **Minimal IT and AIS Footprint**
  - **Maximum Purchase Card and Committed Volume Contracting Use**
  - **Reengineering the Workforce to meet New Business Practices**
  - **MHS Regional Tri-Service Medical Logistics Support**